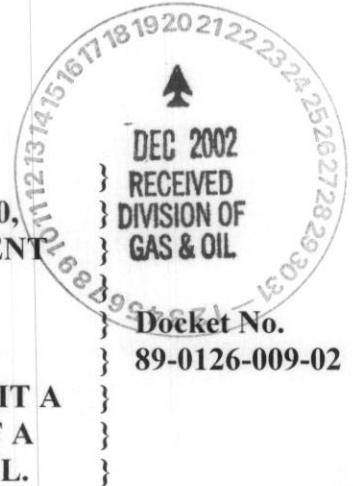


BEFORE THE VIRGINIA GAS AND OIL BOARD

APPLICANT: **EQUITABLE PRODUCTION COMPANY**

RELIEF **MODIFICATION OF:**  
SOUGHT: **(1) OGCB ORDER NO. 9-89 ENTERED MARCH 20, 1989 (herein "Nora Order") and (2) ESTABLISHMENT OF A PROVISIONAL DRILLING UNIT BY COMBINING 4 ESTABLISHED UNITS INTO A SINGLE UNIT OF 235.08 ACRES DESCRIBED IN THIS APPLICATION AND DEPICTED IN EXHIBIT A (herein "Subject Lands") FOR THE DRILLING OF A HORIZONTAL COALBED METHANE GAS WELL.**



**APPLICATION TO MODIFY PRIOR ORDER AND ESTABLISH A PROVISIONAL DRILLING UNIT**

1. Parties.

1.1 Applicant herein is Equitable Production Company, Eastern Region whose address for the purposes hereof is 1710 Pennsylvania Avenue, Charleston, West Virginia 25302, Telephone: (304) 348-3800. The attorney for Applicant is James E. Kaiser, WILHOIT & KAISER, whose address is 220 Broad Street, Suite 202, Kingsport, Tennessee, 37660, Telephone: (423) 578-3838.

2. Facts:

2.1 Applicant, Equitable Production Company, is an owner of the right to develop and produce oil and gas and coalbed methane gas from the coalbed known as the Poco #6 (hereinafter known as "Subject Formation") underlying the subject lands more particularly described in Exhibit "A" attached hereto and made a part hereof.

2.2 Exhibit "A" is a map showing the size and shape of the drilling unit. The undersigned certifies that the matters set forth in this application to the best of his knowledge information and belief, are true and correct. Based on information and belief, applicant states that there is no mine development plan affecting the Subject Lands.

2.3 The Virginia Gas and Oil Board (hereinafter "Board") heretofore has established 58.77 acre drilling units in the Nora Coalbed Gas Field pursuant to its Order to wit: OGCB 3-90.

2.4 Applicant has exercised diligence to locate each person owning or claiming an interest in coalbed methane gas in the proposed provisional drilling unit underlying the Subject Lands.

2.5 Simultaneously with filing of this application pursuant to Va. Code Ann. §45.1-361.19.A., Applicant is providing notice by certified mail, return receipt requested to each person

named as a Respondent in the Notice of Hearing having or claiming an interest in the coalbed methane gas underlying the Subject Lands.

3. Legal Authority: The relief sought by this application is authorized by Virginia Code Annotated §45.1-361.1 et seq., and VAC 25-160-50; and VGOB Board Orders 92-0121-0181; 93-0122-0385; 91-1119-0161-01.

4. Relief Sought: Applicant request the Board issue an order providing as follows:

4.1 Modifying and amending the prior Board Order to provide for the establishment of a provisional drilling unit consisting of four (4) established units combined into a single unit of 235.08 acres for the drilling of a horizontal CBM Well, which provisional drilling unit is depicted at Exhibit "A" and described as follows:

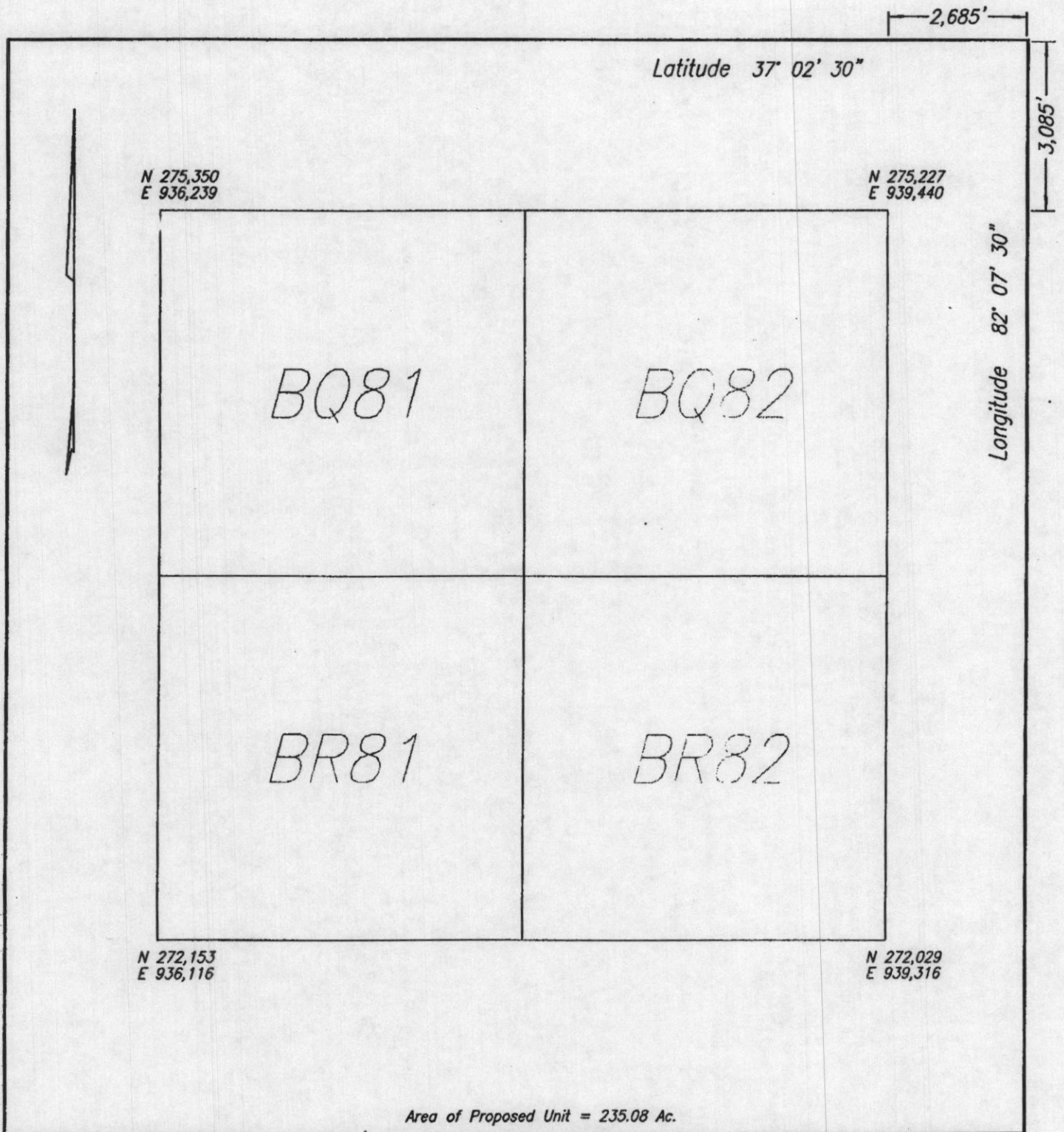
**VCH-535746**

BEGINNING AT APPROXIMATE VIRGINIA STATE PLANE  
COORDINATE (N27,S.ZONE): N 272,153, E 96,116 BEING THE  
SW CORNER OF UNIT BR81, THENCE NORTH TO THE NW  
CORNER OF UNIT BQ81, THENCE EAST TO THE NE CORNER  
OF UNIT BQ82, THENCE SOUTH TO THE SE CORNER OF  
UNIT BR82, THENCE WEST TO THE POINT OF BEGINNING,  
CONTAINING 235.08 ACRES.

4.2 With respect to separately owned tracts and separately owned interests in the provisional drilling unit, joining all the interests within the provisional drilling unit for the production of coalbed methane gas so that each owner in the provisional drilling unit will share in all production regarding the provisional drilling unit in the proportion that the acreage owned by each owner bears to the entire acreage in the unit.

4.3 Providing that operations under and in accordance with this order shall be regarded and considered as development, operation and production upon all lands included within the subject provisional drilling unit. Production from any well(s) drilled on operated, or produced from any part of the provisional drilling unit, no matter where located, shall for all purposes be regarded as production from each separately-owned tract within in the subject provisional drilling unit. The portion of production produced from and attributed to the provisional drilling unit and any separately owned tract therein, shall be deemed for all purposes to have been actually produced from such provisional drilling unit and tract, and development, exploration or production operations with respect to any portion of the provisional drilling unit shall be deemed for all purposes to be the conduct of such operation for the production of gas from each separately owned tract in said unit.

4.4 Granting such other relief as is merited by the evidence and is just and equitable whether or not such relief has been specifically requested herein.

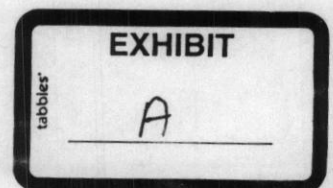


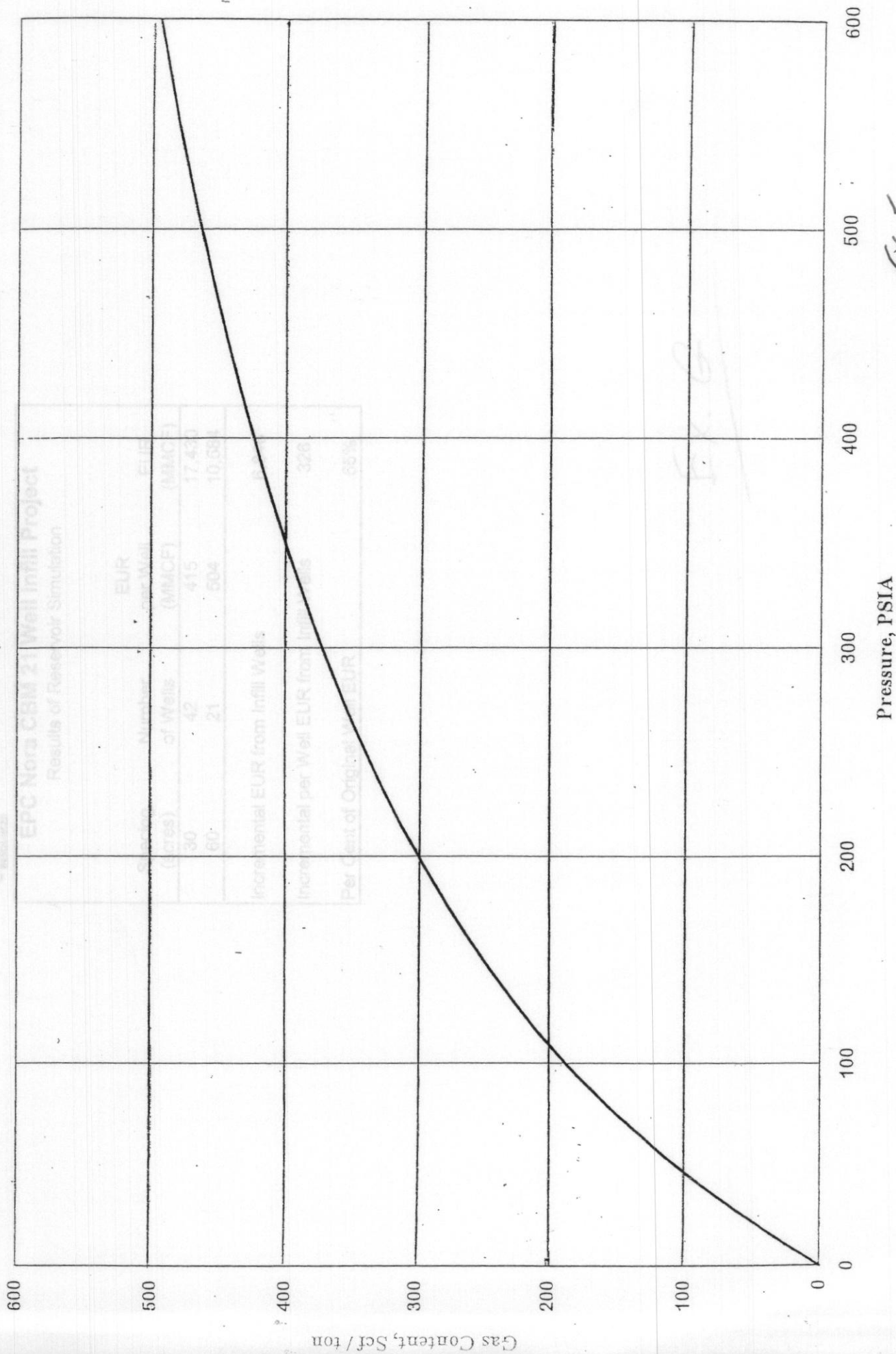
Map Showing  
Drilling Units in the Nora Coalbed Gas Field to be Combined  
To Form One Horizontal Drilling Unit for Well No. VCH-535746

Submitted to the  
Division of Gas and Oil  
Virginia Department of Mines, Minerals and Energy  
by  
Equitable Production Company

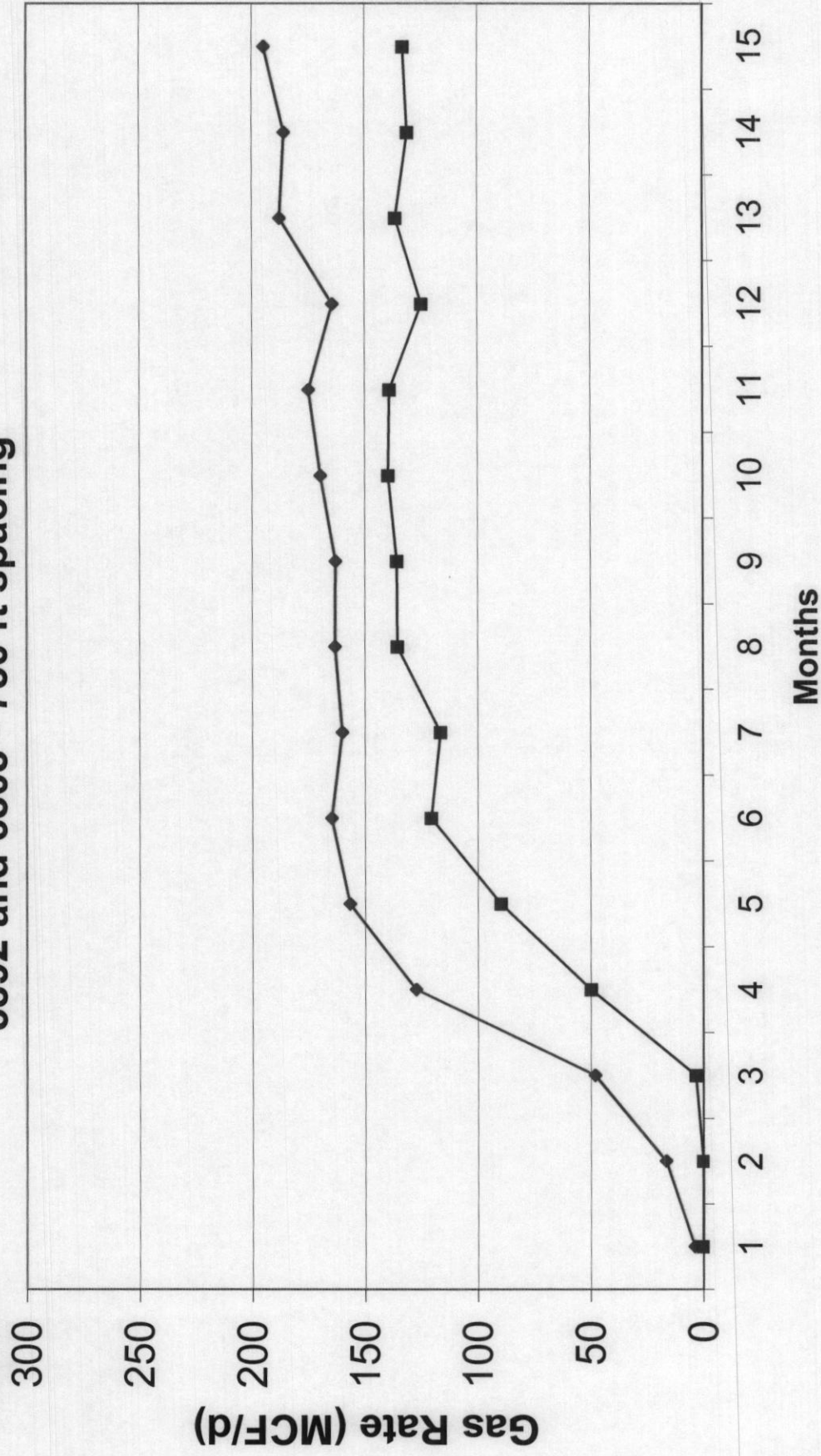
December 20, 2002

Scale: 1" = 600'

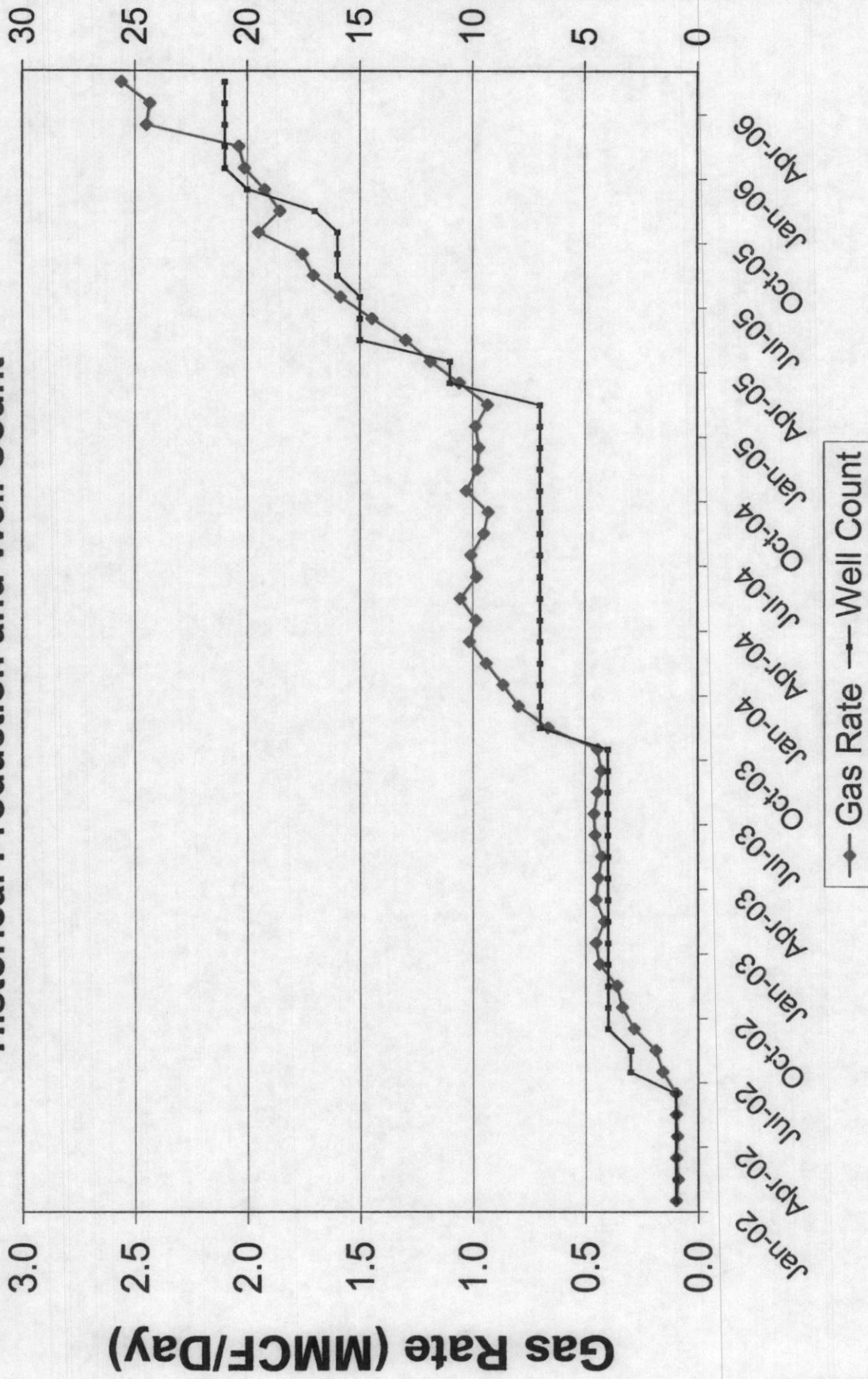




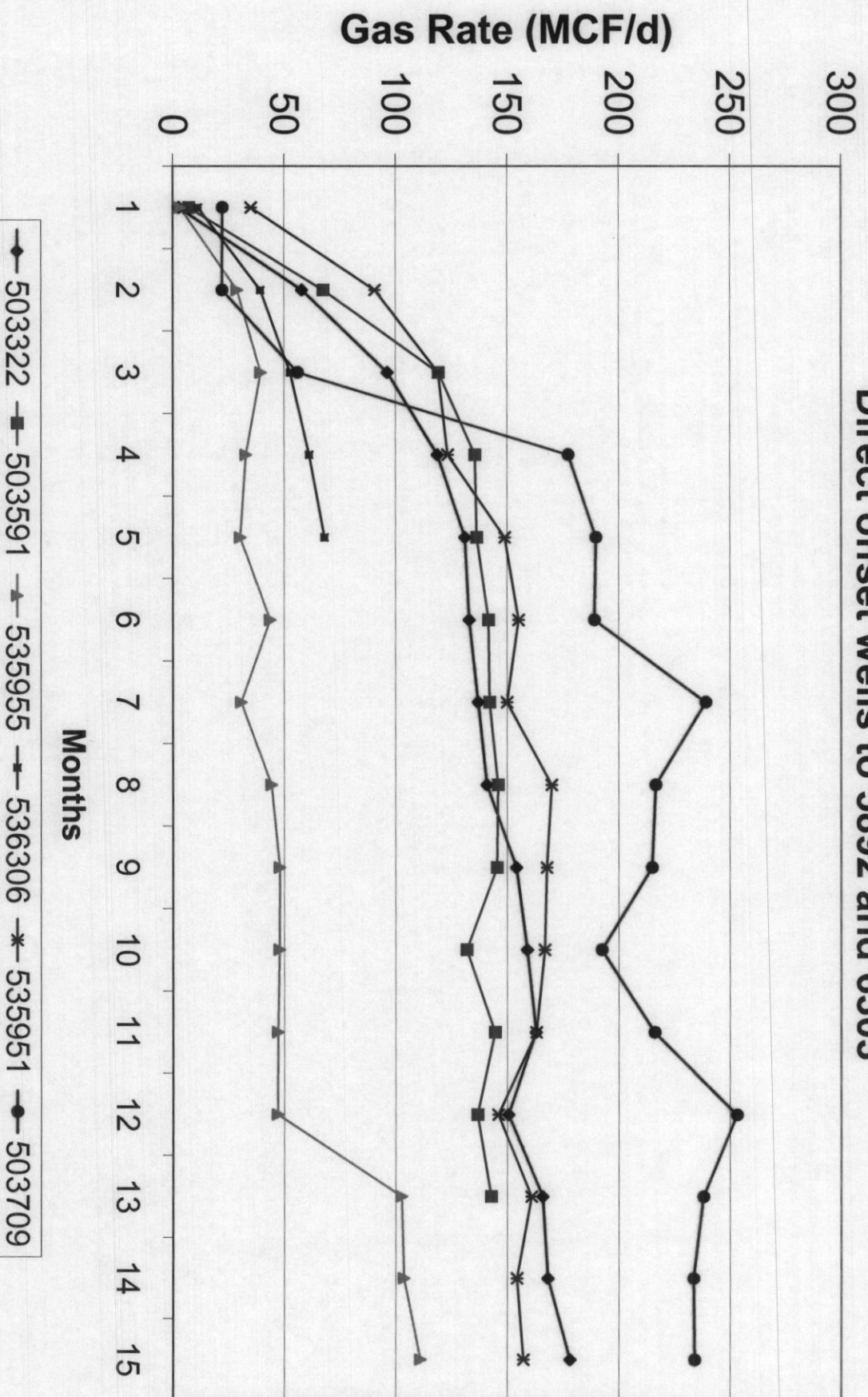
**EPC Nora CBM Infill  
5892 and 6303 - 750 ft spacing**



## EPC Nora 21 Well CBM Project Area Historical Production and Well Count



**EPC Nora CBM Infill**  
**Direct offset wells to 5892 and 6303**



Ex. C

VIRGINIA:

BEFORE THE VIRGINIA GAS AND OIL BOARD

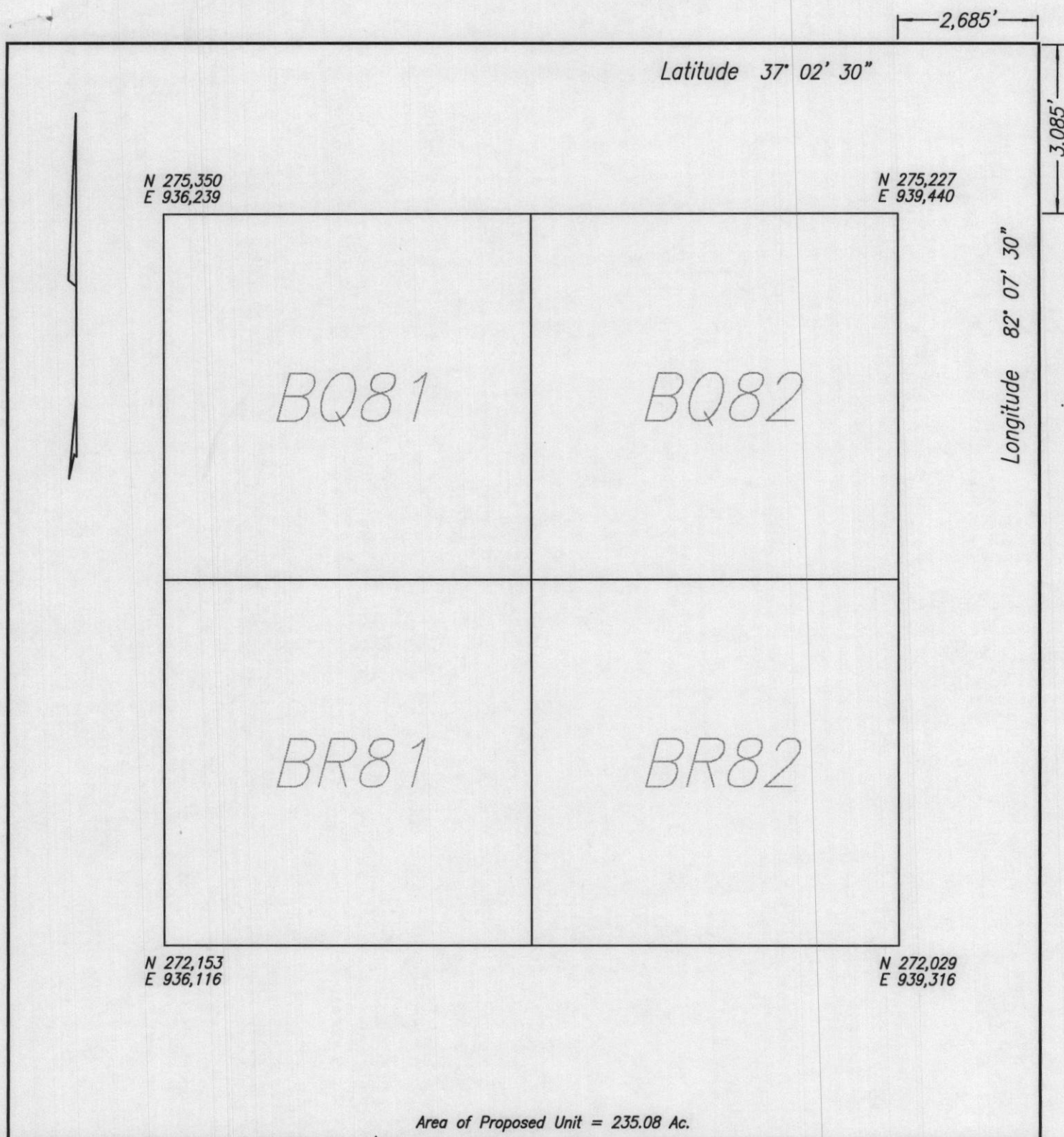
APPLICANT:	EQUITABLE PRODUCTION CO.	) VIRGINIA GAS
		) AND OIL BOARD
		)
ACTION	MODIFICATION OF VIRGINIA OIL	)
CONSIDERED:	GAS CONSERVATION BOARD (OGCB)	) DOCKET NO.
	ORDER NO. 9-89 ENTERED	) VGOB 89-0126-009-02
	MARCH 20, 1989 AND VGOB ORDER	)
	NO. 89-0126-0009-01 ENTERED	)
	DECEMBER 2, 1996 (herein collectively	)
	"Nora Order") TO ALLOW FOR	)
	COMBINING FOUR EXISTING 60-	)
	ACRE UNITS INTO A SINGLE	)
	PROVISIONAL UNIT FOR	)
	DRILLING OF A HORIZONTAL	)
	COALBED METHANE WELL IN THE	)
	POCAHONTAS 6 COAL SEAM.	)
		)
LEGAL	SUBJECT LANDS CONSISTING OF	)
DESCRIPTION:	APPROXIMATELY 235 ACRES	)
	LOCATED IN THE DUTY	)
	QUADRANGLE, CASTLEWOOD	)
	DISTRICT, RUSSELL COUNTY, VA,	)
	BEING NORA FIELD UNITS BQ81,	)
	BQ82, BR81 AND BR82 SHOWN AND	)
	DESCRIBED IN EXHIBIT A	)
	HERETO (herein "Subject Lands").	)

REPORT OF THE BOARD

FINDINGS AND ORDER

1. Hearing Date and Place: This matter came on for hearing before the Virginia Gas and Oil Board (herein "Board") on application from Equitable Production Company at 9:00 a.m. on January 21, 2003 at the Virginia Higher Education Center in Abingdon, Virginia.
2. Appearances: James E. Kaiser, Esquire, of Wilhoit and Kaiser appeared for Equitable Production Company, and Sharon M. B. Pigeon, Assistant Attorney General, was present to advise the Board.

3. Jurisdiction and Notice: Pursuant to Va. Code § 45.1-361.1 *et seq.*, the Board finds that it has jurisdiction over the subject matter. The Board, in accordance with Va. Code § 45.1-361.19.B, published notice of the hearing of this matter.
4. Prior Proceedings: Through the Nora Order, the Board established the boundary of the Nora Field and established 60-acre (with a +/- 15% tolerance) drilling units within same. The Nora Order allows one coalbed methane (CBM) well per unit, specifies that any well drilled within a unit must be a minimum of 300 feet from the unit boundary and not within 600 feet of any other CBM well, and states that all wells drilled in the field shall be located according to these requirements unless "...exception thereto has been granted after proper Notice and hearing".
5. Relief Considered: Modification of the Nora Order for the purpose of allowing the combination of four specified 60-acre (with a +/- 15% tolerance) units into one 240-acre, more or less, provisional unit for drilling of and production from a horizontal CBM gas well in the Pocahontas 6 coal seam.
6. Relief Granted: The Nora Order is modified and amended in the following respects:
  - a. A provisional drilling unit, constructed by combining existing Nora units BQ81, BQ82, BR81 and BR82, having its northwest corner at Virginia State Plane coordinates N 275,350 - E 936,239, its northeast corner at N 275,227 - E 939,440, its southeast corner at N 272,029 - E 939,316, and its southwest corner at N 272,153 - E 936,116, and totaling 238.08 acres, is created for the purpose of drilling for and producing coalbed methane gas (Exhibit A).
  - b. One well is authorized for the production of CBM gas from the provisional unit described and created above. The authorized well will be in addition to and without regard for wells which have been previously permitted and drilled in the existing Nora Field Units. The well may be spudded at any location 300 feet or more from the boundary of the unit, is to be deviated to approximately horizontal, and is to be drilled in a nearly horizontal fashion in the Pocahontas 6 coal seam or its equivalent. An unspecified number of lateral boreholes may be commenced and drilled in the same coal seam. No borehole or lateral borehole may be drilled within 300 feet of the boundary of the provisional unit.
  - c. CBM gas in the authorized well can be produced only from the Pocahontas 6 coal seam and its equivalents in the provisional unit.
  - d. Operations under and in accordance with this order, wherever they occur within the provisional unit, shall be regarded and considered as development, operation and production upon all lands included within the subject provisional unit.



Map Showing  
Drilling Units in the Nora Coalbed Gas Field to be Combined  
To Form One Horizontal Drilling Unit for Well No. VCH-535746

Submitted to the  
Division of Gas and Oil  
Virginia Department of Mines, Minerals and Energy  
by  
Equitable Production Company

December 20, 2002

Scale: 1" = 600'

BEFORE THE VIRGINIA GAS AND OIL BOARD

LEGAL  
DESCRIPTION:

## FINDINGS AND ORDER

- ENTERED

d. Operations under and in accordance with this order, wherever they occur within the provisional unit, shall be regarded and considered as development, operation and production upon all lands included within the subject provisional unit.

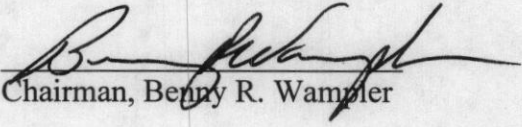
7. Special Findings:

- a. The Board finds that the combination of four existing units as defined by the Nora Field Order provides adequate and sufficient area for development of CBM resources by horizontal drilling methods.
- b. Based on the evidence presented to the Board the applicant has obtained rights to the oil, gas and coalbed methane in the proposed provisional unit, and drilling of the unit does not represent an unreasonable or arbitrary exercise of the owners rights to explore for or produce coalbed methane gas from Subject Lands.
- c. The provisional unit lies on a fee simple tract with one owner, therefore, there are no correlative rights issues.
- d. The use of horizontal drilling technology will increase the recovery of CBM from the provisional unit and will prevent or assist in preventing the various types of waste prohibited by statute. Engineering analyses indicate that 85% to 90% of gas in place will be recovered by horizontal drilling while only 60% is recovered by standard vertical drilling.
- e. The use of horizontal drilling technology will accelerate the recovery of CBM from the provisional unit. Engineering analyses indicate that maximum recovery will be obtained in five to seven years instead of the projected 30 to 35 years required by vertical drilling.
- f. The horizontal section of the borehole which occurs within the Pocahontas 6 coal seam will not be cased or hydraulically fractured and, as such, will not interfere with future coal mining.
- g. The applicant will use information gathered from operations in the provisional unit to determine the feasibility of further development and use of horizontal drilling technology and to address correlative rights issues that may occur on tracts with multiple owners.

8. Conclusion: Therefore, the relief considered in accordance with the terms and provisions set forth in Paragraph 6 above be and hereby is granted and IT IS SO ORDERED.

9. Effective Date: This Order shall be effective as of January 17, 2003.

DONE AND EXECUTED this 26<sup>th</sup> day of March, 2003, by a majority of the Virginia Gas and Oil Board.

  
Chairman, Benny R. Wampler

DONE AND PERFORMED this 27<sup>th</sup> day of March, 2003, by Order of this Board.

B. R. Wilson  
B. R. Wilson  
Principal Executive to the Staff  
Virginia Gas and Oil Board

STATE OF VIRGINIA )  
COUNTY OF WISE )

Acknowledged on this 26<sup>th</sup> day of March, 2003, personally before me a notary public in and for the Commonwealth of Virginia, appeared Benny R. Wampler, being duly sworn did depose and say that he is Chairman of the Virginia Gas and Oil Board, that executed the same and was authorized to do so.

Susan G. Garrett  
Susan G. Garrett  
Notary Public

My commission expires July 31, 2006

STATE OF VIRGINIA  
COUNTY OF WASHINGTON )

Acknowledged on this 27<sup>th</sup> day of March, 2003, personally before me a notary public in and for the Commonwealth of Virginia, appeared B. R. Wilson, being duly sworn did depose and say that he is Principal Executive to the Staff of the Virginia Gas and Oil Board, that executed the same and was authorized to do so.

Diane J. Davis  
Diane J. Davis  
Notary Public

My commission expires September 30, 2005

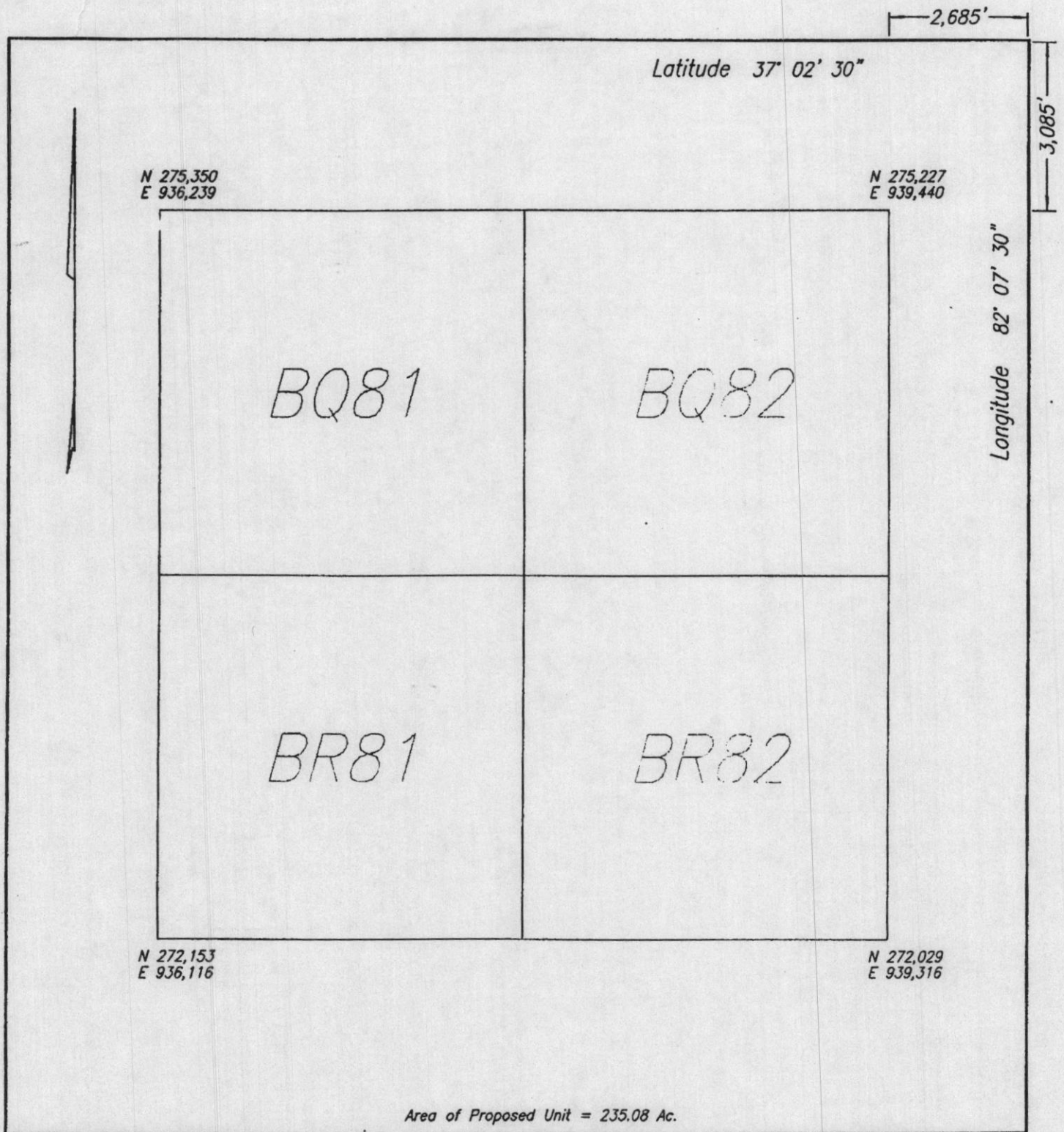
Order Recorded Under Code of  
Virginia Section 45.1-361.26

0001347

VIRGINIA: IN THE OFFICE OF THE CLERK OF THE CIRCUIT COURT OF RUSSELL COUNTY, 4-2, 2003. This deed was this day presented in said office, and upon the certificate of acknowledgment thereto annexed, admitted to record at 9:22 o'clock AM, after payment of \$ — tax imposed by Sec. 58.1-802.

Original returned this date to: Diane Davis

TESTE: DOLLIE M. COMPTON, CLERK  
BY: Benny R. Wampler D. CLERK

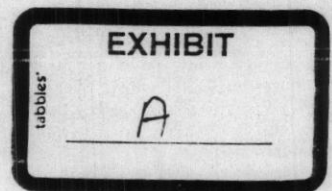


Map Showing  
Drilling Units in the Nora Coalbed Gas Field to be Combined  
To Form One Horizontal Drilling Unit for Well No. VCH-535746

Submitted to the  
Division of Gas and Oil  
Virginia Department of Mines, Minerals and Energy  
by  
Equitable Production Company

December 20, 2002

Scale: 1" = 600'



**BEFORE THE VIRGINIA GAS AND OIL BOARD**

**APPLICANT: EQUITABLE PRODUCTION COMPANY**

<b>RELIEF</b>	<b>MODIFICATION OF:</b>	}
<b>SOUGHT:</b>	(1) OGCB ORDER NO. 9-89 ENTERED MARCH 20,	}
	1989 (herein "Nora Order") and (2) ESTABLISHMENT	}
	OF A PROVISIONAL DRILLING UNIT BY	}
	COMBINING 4 ESTABLISHED UNITS INTO A	}
	SINGLE UNIT OF 235.08 ACRES DESCRIBED IN	}
	THIS APPLICATION AND DEPICTED IN EXHIBIT A	}
	(herein "Subject Lands") FOR THE DRILLING OF A	}
	HORIZONTAL COALBED METHANE GAS WELL.	}
		<b>Docket No.</b>
		<b>89-0126-009-02</b>

**APPLICATION TO MODIFY PRIOR ORDER AND  
ESTABLISH A PROVISIONAL DRILLING UNIT**

**1. Parties.**

1.1 Applicant herein is Equitable Production Company, Eastern Region whose address for the purposes hereof is 1710 Pennsylvania Avenue, Charleston, West Virginia 25302, Telephone: (304) 348-3800. The attorney for Applicant is James E. Kaiser, WILHOIT & KAISER, whose address is 220 Broad Street, Suite 202, Kingsport, Tennessee, 37660, Telephone: (423) 578-3838.

**2. Facts:**

2.1 Applicant, Equitable Production Company, is an owner of the right to develop and produce oil and gas and coalbed methane gas from the coalbed known as the Poco #6 (hereinafter known as "Subject Formation") underlying the subject lands more particularly described in Exhibit "A" attached hereto and made a part hereof.

2.2 Exhibit "A" is a map showing the size and shape of the drilling unit. The undersigned certifies that the matters set forth in this application to the best of his knowledge information and belief, are true and correct. Based on information and belief, applicant states that there is no mine development plan affecting the Subject Lands.

2.3 The Virginia Gas and Oil Board (hereinafter "Board") heretofore has established 58.77 acre drilling units in the Nora Coalbed Gas Field pursuant to its Order to wit: OGCB 3-90.

2.4 Applicant has exercised diligence to locate each person owning or claiming an interest in coalbed methane gas in the proposed provisional drilling unit underlying the Subject Lands.

2.5 Simultaneously with filing of this application pursuant to Va. Code Ann. §45.1-361.19.A., Applicant is providing notice by certified mail, return receipt requested to each person

# HUNTER, SMITH & DAVIS

ATTORNEYS AT LAW

*Established 1916*

LAW CENTER - 1212 NORTH EASTMAN ROAD

P. O. BOX 3740

KINGSPORT, TENNESSEE 37664

TELEPHONE: (423) 378-8800

FAX: (423) 378-8801

EDWIN L. TREADWAY  
S. MORRIS HADDEN  
T. ARTHUR SCOTT, JR.  
WILLIAM C. BOVENDER  
WILLIAM T. WRAY, JR.  
WILLIAM C. ARGABRITE  
JIMMIE CARPENTER MILLER  
MARK S. DESSAUER  
GREGORY K. HADEN  
MICHAEL L. FORRESTER  
STEPHEN M. DARDEN  
EDWARD J. WEBB, JR.  
JAMES N. L. HUMPHREYS  
CYNTHIA S. KESSLER  
GARY D. MILLER  
JAMES E. KAISER  
K. JEFF LUETHKE  
JULIE POE BENNETT  
ANTHONY A. WILHOIT  
SUZANNE M. SWEET  
WILLIAM C. BREWER III

GEORGE E. PENN, JR. (1954)  
E. G. HUNTER (1967)  
ERNEST F. SMITH (1978)  
BEN C. DAVIS (1983)  
EDWIN O. NORRIS (1994)

COUNSEL

SHELburne FERGUSON, JR.  
DOUGLAS S. TWEED  
THOMAS R. WILSON

JAMES R. BOWLES, CPA, CFP

JOHNSON CITY OFFICE  
SUITE 500 - FIRST AMERICAN CENTER  
208 SUNSET DRIVE  
P. O. BOX 3020 CRS  
JOHNSON CITY, TENNESSEE 37602  
TELEPHONE: (423) 283-6300  
FAX: (423) 283-6301

WRITER'S DIRECT DIAL NUMBER:

July 19, 1996

Ms. Diane Davis  
Department of Mines, Minerals and Energy  
Virginia Gas and Oil Board  
P.O. Box 1416  
Abingdon, Virginia 24210

Re: Modification of Prior Board Order Establishing Drilling Units  
for the Nora Coalbed Gas Field in Dickenson, Wise, Russell and  
Buchanan Counties, Virginia  
Docket No.: VGOB-89/01/26-0009-01  
Our File No.: ERE-R.65674

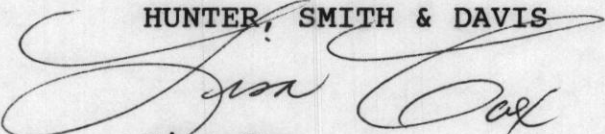
Dear Diane:

Enclosed please find the Application and check in the amount of  
\$100.00, application fee for the above referenced matter.

Should you have questions regarding the above, please feel free to  
call.

Very truly yours,

HUNTER, SMITH & DAVIS

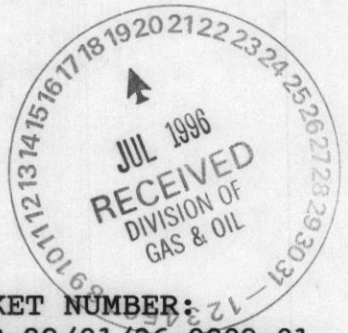
  
Lisa Cox  
Legal Assistant

Enclosures

cc: A. George Mason, Jr., Esq.



BEFORE THE VIRGINIA GAS AND OIL BOARD



APPLICANT: EQUITABLE RESOURCES ENERGY COMPANY )  
RELIEF SOUGHT: MODIFICATION OF PRIOR BOARD )  
ORDER ESTABLISHING DRILLING )  
UNITS FOR THE NORA COALBED )  
GAS FIELD IN DICKENSON, WISE, )  
RUSSELL AND BUCHANAN COUNTIES, )  
VIRGINIA )

DOCKET NUMBER:  
VGOB-89/01/26-0009-01

APPLICATION TO MODIFY PRIOR ORDER

1. Parties.

1.1 Applicant herein is Equitable Resources Energy Company, whose address for the purposes hereof is 1989 East Stone Drive, Kingsport, Tennessee, 37660, Telephone: (423) 224-3800. The attorney for Applicant is James E. Kaiser, HUNTER, SMITH & DAVIS, whose address is 1212 N. Eastman Road, Kingsport, Tennessee, 37664, Telephone: (423) 378-8800.

1.2 Applicant seeks by this application a modification to the order of the Virginia Gas and Oil Board dated March 20, 1989, which established field production rules, including well spacing and drilling unit size in the "Nora Coalbed Gas Field" of Dickenson, Wise, Russell and Buchanan Counties, Virginia.

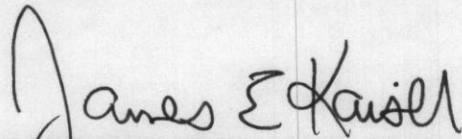
2. Allegation of Facts: Applicant, Equitable Resources Energy Company, is an owner of the right to develop and produce oil and gas and coalbed methane gas from the coalbed known as the Raven, Jawbone, Upper Horsepen, Middle Horsepen, War Creek, Beckley, Lower Horsepen, Poco #8, Poco #4, Poco #3, Poco #1 and any unnamed coal seams and other associated formations known as the Nora Coalbed Gas Field, and to appropriate the oil and gas and coalbed methane produced therefrom.

3. Legal Authority: The relief sought by this Application is authorized by Virginia Code Annotated § 45.1-361.1 et seq., and VR 480-05-22.2 § 6.

4. Relief Sought: Applicant requests that the Virginia Gas and Oil Board modify its prior Order establishing field rules for the Nora Coalbed Gas Field to provide that the Virginia Gas and Oil Inspector may grant well location exceptions in any 60-acre drilling unit in the Nora Coalbed Gas Field.

DATED this 19th day of July, 1996.

EQUITABLE RESOURCES ENERGY COMPANY

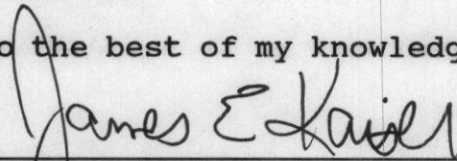


James E. Kaiser

HUNTER, SMITH & DAVIS  
1212 N. Eastman Road  
Kingsport, TN 37664  
Telephone: (423) 378-8800

VERIFICATION

The foregoing Application to the best of my knowledge, information and belief is true and correct.

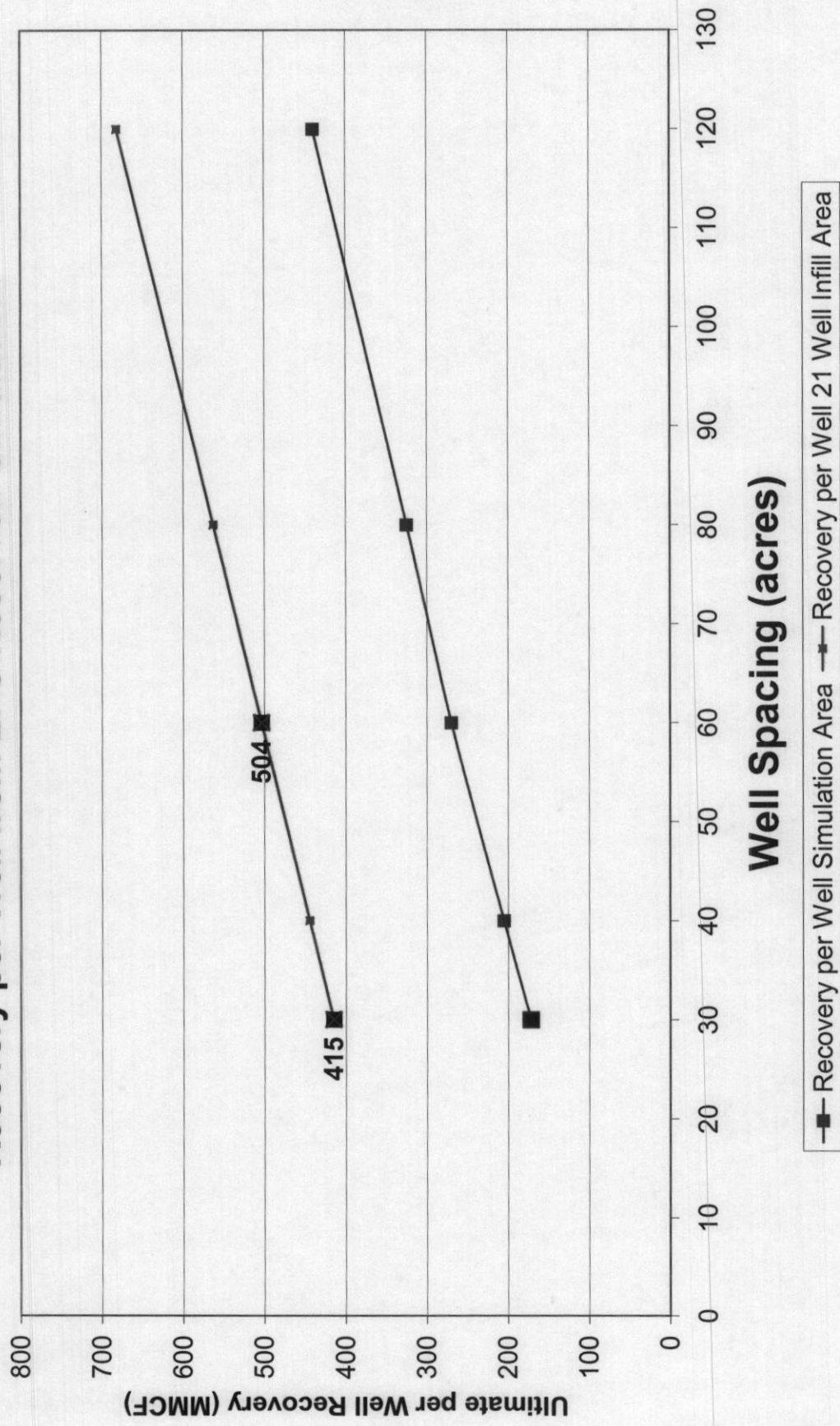


James E. Kaiser

HUNTER, SMITH & DAVIS

[f:modifa]

## EPC Nora CBM Infill Project Recovery per Well from EPC Reservoir Simulation



BEFORE THE VIRGINIA GAS AND OIL BOARD

Applicant: Equitable Production Company )

Relief Sought: Well No. VCH-535746 )  
Modification of Field Rules )

) Docket No.  
) VGOB-89/01/26-009-02  
)  
)



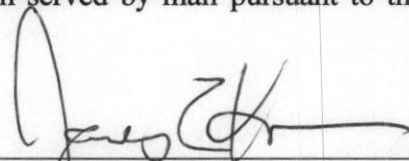
AFFIDAVIT OF MAILING  
(CERTIFICATE OF SERVICE)

STATE OF TENNESSEE )

COUNTY OF SULLIVAN )

James E. Kaiser, of lawful age, being duly sworn, upon oath, deposes and says:

- (1) He is a partner with WILHOIT & KAISER, Agent for Equitable Production Company ("EPC") and makes this affidavit on behalf of EPC.
- (2) Based upon information and belief, the names and last-known addresses, where such addresses are known, of the parties owning an interest in the oil and gas in this cause are set forth and attached hereto.
- (3) On the 20<sup>th</sup> day of December, 2002, true and correct copies of the Application and the Notice of Hearing in this matter were placed in the United States mail in Kingsport, TN, certified mail, return receipt requested, postage prepaid, duly addressed to the unleased parties at their respective addresses as set forth in the attached Exhibit B which is hereby made a part of this Affidavit.
- (4) Notice of this cause has therefore been served by mail pursuant to the applicable statutes and rules of the Board.

  
James E. Kaiser

SUBSCRIBED AND SWORN TO before me this 13th day of January, 2003.

  
Notary Public

My commission expires: August 18, 2003

EXHIBIT "B"  
VCH-535746  
ALL COAL, OIL, AND GAS OWNERS

Article #

Signed

Mr. Steve Smith  
Paramont Coal Company VA, LLC  
PO Box 760  
Dante, Virginia 24237

7001251000023831 2320

12/23/02

Mr. Steve Smith  
Dickenson-Russell County Coal Company  
PO Box 730  
Danta, Virginia 24237

7001251000023831 2313

12/23/02

Mr. Richard Brillhart  
Pine Mountain Oil and Gas, Inc.  
PO Box 5100  
Lebanon, Virginia 24266

7001251000023831 2306

12/23/02